

No. 15,087

IN THE

**United States Court of Appeals
For the Ninth Circuit**

SUN-MAID RAISIN GROWERS OF CALIFORNIA,
a Corporation,

Appellant,

vs.

CALIFORNIA PACKING CORPORATION,
a Corporation,

Appellee.

REPLY BRIEF FOR APPELLANT SUN-MAID.

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REPLY BRIEF FOR APPELLANT SUN-MAID.

INTRODUCTION.

Plaintiff, in its brief, lays great emphasis on certain technical procedural arguments designed to postpone, apparently for as long as possible, a final determination of the merits of this case.

First, the plaintiff contends that leave of this court should now be obtained and the motion to dissolve the injunction brought again in the District Court. This circuitous and time consuming procedure postponing, perhaps for years, the dissolution of this unconscionable injunction would be oppressive and unfair to defendant and would only aggrandize the unjust en-

richment accruing to plaintiff. The record is complete and no reason appears why this court cannot dispose of the entire matter.

Second, as another dilatory device, plaintiff now suggests that the order of the District Court denying defendant's motion to dissolve the injunction is not appealable and that the appeal should be dismissed and the defendant required to duplicate the prior proceeding in the District Court after leave of this court is obtained to do so. In view of the clear language of Section 1292(1) of Title 28 of the United States Code granting this court appellate jurisdiction over appeals from orders refusing to dissolve injunctions, and other interlocutory orders, this argument has no merit whatsoever.

In this reply brief defendant will therefore consider only briefly the first of the above technical arguments and devote the remainder of this brief to the merits of defendant's motion.

LEAVE OF THIS COURT WAS NOT REQUIRED AS A PREREQUISITE TO BRINGING THE MOTION TO DISSOLVE IN THE DISTRICT COURT.

Plaintiff relies on numerous cases (Plaintiff's Brief, p. 7) to advance its argument that leave of this court was a prerequisite to defendant's bringing the motion to dissolve the injunction in the District Court. However, in none of the cases cited was the fact situation any different when relief from the judgment was

sought in the lower court than it was when the original judgment had been established or approved by the court of appeals.

In the instant case defendant is not showing additional facts *existing at the time the injunction was issued* for the purpose of establishing *error* in this court's decision. Rather, defendant is relying on a fact (abandonment of the trademark SUN-KIST) which, had it existed prior to this suit, would have precluded issuance of the injunction.

Regardless of whether the injunction now sought to be dissolved was approved by this court, the District Court retained jurisdiction to modify "in adaptation to changed conditions", *United States v. Swift & Co.*, 286 U.S. 106; 52 S. Ct. 460 (462) (1932).

As aptly pronounced by Justice Cardozo in the *Swift* case:

"Power to modify the decree was reserved by its very terms, and so from the beginning went hand in hand with its restraints. If reservation had been omitted, power there still would be by force of principles inherent in the jurisdiction of the chancery."

Justice could not have been served in the instant case by requiring this court to consider *new* facts, having no basis in the record, in order to grant permission to defendant to bring the *same* facts before the District Court to obtain dissolution of the injunction. Such circuitous action is the very thing defendant sought to avoid, and it is for this reason that this court is asked to dispose of the entire matter on this

appeal to avoid further unnecessary consideration of the case by the District Court. Plaintiff, however, unjustly benefiting every day the injunction is in force, seeks to interpose procedural obstructions and would further delay a consideration on the merits of defendant's motion by having the matter again remanded to the District Court.

DEFENDANT'S RIGHT TO DISSOLUTION OF INJUNCTION.

In plaintiff's brief (p. 21) it is contended that "Plaintiff's continued interest in the contract and injunction is manifest". However, the authorities uniformly hold that plaintiff has absolutely no legal interest in either the contract or injunction.

Although the subject proceeding appears to have no exact precedent the restrictive covenant contained in the contract of March 10, 1917 is exactly analogous in legal effect to a restrictive covenant by a seller of a business not to compete with the seller's vendee. In other words the agreement "not to compete" in such cases involving the sale of a business is for the protection of the vendee's interest in the business, just as the covenant in this case was for the protection of the SUN-KIST trademark previously owned by plaintiff.

It is defendant's contention that abandonment of the trademark SUN-KIST by plaintiff eliminated all of plaintiff's interest in the 1917 contract and the injunction, just as assignment of the business by the

vendee terminates all of his interest in the restrictive covenant designed to protect such business.

Goldman v. Bootman, 179 App. Div. 767; 167 NYS 196 (1917).

J. L. Davis, Inc. v. Christopher, 122 So. 406 (Ala., 1929).

In the *Goldman* case defendant was restrained by the trial court from engaging in the refrigerating and warehouse business because upon prior sale of his business to plaintiff he had covenanted not to engage in such business for five years.

Before the temporary injunction was issued, it appeared that plaintiff had resold the business involved.

The New York Supreme Court, Appellate Division, reversed, stating:

“We are of opinion that this injunction should not have been granted for the reason that plaintiff had abandoned this business. . . . In view of his abandonment of the business . . . no harm can come to him by the act of the defendant in engaging therein. . . .”

In the *Davis* case plaintiff sought an injunction to enforce a restrictive covenant by its vendor. However, prior to suit plaintiff had assigned the business and good will to another.

In affirming denial of an injunction by the lower court the Supreme Court of Alabama properly held that the goodwill was inseparable from the restrictive covenant and plaintiff had no standing to enforce the covenant. The court said:

“Our judgment is that appellee (covenantor) on the motion to dissolve the injunction sustained his burden to prove the substance of the allegation in his answer that complainant had assigned the rights upon which the complaint is predicated, and therefore . . . the court properly dissolved the injunction.”

Also analogous to the unique facts of the instant case are the cases involving restrictive covenants affecting real property wherein it has been uniformly held that such covenants cannot be enforced except by one who owns an interest affected by the covenant.

In *Los Angeles University v. Swarth*, 107 Fed. 798 (C.C.A. 9th, 1901) plaintiffs sought enforcement of a covenant made for the benefit of adjoining land. However, no present interest in the adjoining land could be shown by them. The Court of Appeals for the Ninth Circuit stated the rule as to the interest requisite to enforcement of such a covenant as follows (p. 804):

“But in such case it is clear that the complainant must show that he has some interest or title in the land to be protected. This right or interest is the very foundation of his action. He must show that he is the owner of or has an interest in the premises in favor of which the benefit or privilege has been created; otherwise, he has no interest in the covenant and is a mere intruder.”

In disposing of the *Los Angeles University* case the court said (p. 806):

“But the complainants do not show in their bill, and it is not shown by affidavit or otherwise, that they are now the owners of or have any interest

in any lands in the vicinity of the university buildings or the campus connected therewith, but, on the contrary, it is averred upon information and belief, in one of the affidavits, that the complainants have no such interest. The inference is, therefore, that the complainants are not in any way interested in the benefit arising from the restriction or limitation placed upon the granted estate by the terms of the covenant contained in the deed, and that the complainants will not be damaged by the failure of the defendants to comply with the terms of the covenant. They are therefore not in a position to maintain this action."

Plaintiff California Packing Corporation is in no better position than the plaintiff in the *Los Angeles University* case because it has no present interest in the SUN-KIST trademark for the protection of which the subject covenant was made.

Plaintiff's brief suggests (p. 19) that the restrictive covenant had the effect of circumscribing, perpetually, defendant's ownership of the SUN-MAID trademark. Such is not the case. The restriction of the SUN-MAID trademark agreed to by defendant's predecessor in interest was merely for the benefit of defendant's interest in the SUN-KIST trademark. In the absence of the SUN-KIST trademark no enforcement of this restriction could be had.

Coca-Cola Co. v. Standard Bottling Co., (C.A. 10th, 1943) 138 F. 2nd 788, has been cited by defendant (Opening Brief, p. 9) in support of the rule that injunctions are always subject to modification or dissolution as conditions change. In the *Coca-Cola* case

an injunction had been issued, by consent, against defendant prohibiting use of the word "cola". A reading of the case makes it clear that the only reason for the injunction was to protect the then distinctive trademark "Coca-Cola". However, sixteen years after the injunction was issued defendant successfully sought modification of the injunction in the District Court on the ground that the word "cola" was no longer distinctive. On appeal, the Court of Appeals for the Tenth Circuit affirmed the lower court quoting the *Swift* case as follows:

"It is only necessary to cite *United States v. Swift & Co.*, 286 U.S. 106, 52 S. Ct. 460, 462, 76 L. Ed. 999, where the court said: 'We are not doubtful of the power of a court of equity to modify an injunction in adaptation to changed conditions, though it was entered by consent. * * * A continuing decree of injunction directed to events to come is subject always to adaptation as events may shape the need.' "

Plaintiff attempts to distinguish the *Coca-Cola* case on the ground that "the extent and scope of defendant's ownership of its 'SUN-MAID' mark was defined by a separate contract". (Pl. Br. p. 20). In view of the fact that a consent decree has the same force and effect as a contract between the parties there is no merit in plaintiff's contention. Even if the injunction in the *Coca-Cola* case had been based on a separate contract the result would have been the same.

Plaintiff further states (Pl. Br. p. 20) that the 1917 contract "has the same vitality today as it had when executed". This is clearly not the case because plain-

tiff presently would have no standing in a court of law to enforce the contract of 1917 by the rule set forth in the *Goldman* and *Davis* cases. This fact also points up the unjustness of continuing the injunction especially in view of the lack of confusing similarity between the trademarks SUN-MAID and SUN-KIST.

Although plaintiff points out that the contract does not prevent defendant from selling products under an entirely different trademark, this is merely a theoretical consideration and overlooks realities. Unlike the plaintiff corporation, which sells goods under a myriad of different trademarks, defendant's reputation depends almost entirely on the trademark SUN-MAID. As a practical matter, the right to sell goods under any other trademark is of no value to defendant and the result of this is that the injunction almost completely eliminates competition between the parties.

Inasmuch as plaintiff states (Pl. Br. p. 29) that defendant is attempting to avoid "*its* contractual obligations", the equities of this case require emphasis of the fact that the contract of 1917 was not known to the present defendant until after this suit was brought by plaintiff, *California Packing Corporation v. Sun-Maid Raisin Growers*, 81 F. 2nd 674 (676).

CONCLUSION.

Disregarding the technical procedural matters injected into this proceeding by plaintiff, defendant's request for relief from continued enforcement of

the injunction is clearly justified for the following reasons:

1. The contract of 1917 entered into by the predecessor of defendant and of which the present defendant had no knowledge when it acquired the predecessor's assets, was not enforceable after abandonment of the SUN-KIST trademark by plaintiff.

2. The twenty-year-old injunction now sought to be dissolved is based on an unenforceable contract and results in an inequitable hardship on defendant without any corresponding legal benefit accruing to plaintiff.

3. Plaintiff has no standing in this court because it was merely the beneficiary under a restrictive covenant designed to protect a trademark in which it has no present interest.

4. Having sold the trademark SUN-KIST and its associated goodwill for \$1,250,000.00, plaintiff cannot now lay claim to such goodwill, nor can it take advantage of a covenant made only for the benefit of the trademark and such goodwill.

Dated, San Francisco, California,
August 15, 1956.

Respectfully submitted,

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